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~~(S)~~ NATIONAL RECONNAISSANCE OFFICE
WASHINGTON, D.C.

THE NRO STAFF

19 May 1976

MEMORANDUM FOR GENERAL SHIELDS

SUBJECT: Authority for the Establishment of the National Reconnaissance Program

During a meeting with Mr. Hill on 14 May 1976, [redacted] of the Intelligence Oversight Board, requested a copy of the document at attachment 1. The subject of the meeting was methods and rationale of NRP financing and accounting. [redacted] interest stemmed from an assertion by Mr. John Warner (formerly the CIA General Counsel now retired) that the NRP appropriations should conform to the same accounting procedures as other organizations (i.e., formal segregation into 3600, 3020, 3080 appropriations). Mr. Hill's explanation of the evolution and rationale of NRP financing was excellent, and I feel, fully countered Mr. Warner's assertion.

For security storage reasons, [redacted] arranged to have this document retained for him by the PFIAB.

Please sign the transmittal memo on the right.

[redacted]

Lt Colonel, USAF

[redacted]

[redacted] CLASSIFIED BY [redacted] EXEMPT FROM GENERAL DECLASSIFICATION SCHEDULE OF EXECUTIVE ORDER 11652 EXEMPTION CATEGORY 5B2 DECLASSIFY ON IMP DET.

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Jan-June 1976
DNRO
Staff Comments
[redacted]

~~(S)~~ NATIONAL RECONNAISSANCE OFFICE
WASHINGTON, D.C.

THE NRO STAFF

19 May 1976

MEMORANDUM FOR MR. LEO CHERNE, CHAIRMAN, PFIAB

SUBJECT: Authority for the Establishment of the National Reconnaissance Program

Mr. [redacted] the Intelligence Oversight Board, has requested that the attached material be forwarded to you on his behalf for retention by the PFIAB. This material was not forwarded directly to [redacted] his organization does not have an approved storage facility for material of this nature.

Thank you for your assistance in this matter.

[redacted]
Brigadier General, USAF
Director

1 Attachment
Authority for the Establishment
of the NRP

[redacted]

[redacted] CLASSIFIED BY [redacted] EXEMPT FROM GENERAL DECLASSIFICATION SCHEDULE OF EXECUTIVE ORDER 11652 EXEMPTION CATEGORY 5B2 DECLASSIFY ON IMP DET.

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NATIONAL RECONNAISSANCE PROGRAM

1. Authority for the establishment of the National Reconnaissance Program:

- By Memorandum to the Secretary of Defense, dated 1 September 1960, the National Security Council, in the name of the President, directed that certain components of the Air Force satellite reconnaissance program be assembled into a program of high priority.

- Between September 1960 and August 1965 a number of Department of Defense Directives and Agreements between the Secretary of Defense and the Director of Central Intelligence governed the establishment and operation of the National Reconnaissance Program (NRP).

- On 11 August 1965 the current agreement between the Secretary of Defense and the Director of Central Intelligence was signed. This agreement established the Secretary of Defense as the Executive Agent for the NRP and the National Reconnaissance Office (NRO), and provided for the establishment of the NRO as a separate agency of the Department of Defense, with the Director, National Reconnaissance Office (DNRO), selected by the Secretary of Defense. The agreement also established a National Reconnaissance Program Executive Committee (ExCom), consisting of the Deputy Secretary of Defense, the Director of Central Intelligence, and the Special Assistant to the President for Science and Technology to guide and participate in formulation of the NRP, through the DNRO, to meet the national intelligence needs as established by the U.S. Intelligence Board.

2. Mission: The NRP is a single program, national in nature, to meet the intelligence needs of the Government under a strong national leadership. The program is responsible for the development, management, control and operation

of all projects, both current and long range for the collection of denied area intelligence through satellite overflights. The potentialities of U.S. technology and all operational resources and facilities are exploited to develop and operate systems for the collection of intelligence. These systems are fully responsive to the Government's intelligence needs and objectives.

3. Management of the NRP:

- The DNRO is responsible for management of the NRP activities and operation and receives guidance from:

- The Secretary of Defense for the management, operation, and resource utilization of the NRP.

- The Director of Central Intelligence for collection priorities, requirements, and overall security policy guidance.

- The NRP ExCom for the allocation of resources and authorization for system development and acquisition.

4. Relationship to the Central Intelligence Agency (CIA): One of the three NRP Program Offices responsible to the DNRO has been established within the CIA for the development, acquisition, and operation of selected NRP efforts as approved by the ExCom. In accordance with the DOD/CIA agreement, NRP efforts assigned to the CIA program office are under the specific direction and control of the DNRO. Fiscal controls, accounting, and reporting procedures have been established to ensure all funds expended in support of the assigned NRP effort are fully accounted for and appropriately utilized. Prior to the start of each Fiscal Year, based on ExCom approval of program objectives and resource allocation, the DNRO provides the CIA Program Office specific program approvals, initial funding levels,

and obligation authority for each assigned task for the Program Year. Monthly, based on detailed program status and obligation reports, the initial funding levels are adjusted as required and funds are transferred to the CIA. All NRP funds managed, obligated, and expended by the CIA, as an agent of the NRO, are for the procurement of goods and services external to CIA. Most of these funds--for development, acquisition, and operation of assigned satellite program tasks--are applied to industrial contracts which are independently audited by the Defense Contract Audit Agency.

5. NRP Funding:

- NRP Budget: A recommended NRP budget is proposed by the DNRO, within overall fiscal guidelines provided by the Secretary of Defense, for submission to the NRP ExCom. After review and approval by the ExCom, the NRP budget recommendation is included in the Air Force budget and submitted to the Secretary of Defense for final DOD approval. Within DOD, NRP funds are in a [redacted] The [redacted] nomenclatures to prevent ready identification of the total NRP by unauthorized personnel. RDT&E and Missile Procurement appropriations are identified a[redacted] Other Procurement appropriation is identified [redacted] However, Congressional reviews on the NRP are at the total program level displayed by appropriation. The frequency, level of detail, and committee member participation of NRP budget reviews are determined by the Chairmen of the Congressional Armed Services and Appropriation Committees.

- Appropriation Integrity: As required by the DOD/CIA agreement, all NRP budgets identify those funds to be applied to research and exploratory design development, system development, procurement, and operational activities to the extent feasible. The integrity of this identification is maintained through Congressional appropriations and application.

- Exceptions to traditional procedures:

- The NRP receives no Operation and Maintenance funding. Prior to FY 1971 all NRP Operations and support costs were charged to the [redacted] appropriations. In the FY 1970 Congressional review, the Chairman of the House Appropriations Committee requested that the NRP [redacted] request be decreased in subsequent years and agreed to charging all operations and support cost to the [redacted] appropriations.

- A total system development, acquisition, and operation concept is applied on most NRP satellite programs. In implementing this approach the system life cycle effort is included on a single contract and holds the contractor responsible for the end performance of the effort. Contractors are required to maintain normal auditable cost accounting records at the total contract level. However, they are not required to maintain cost accountability at the appropriation level. Formal management reporting systems are established and are used to identify appropriation chargeability.

- Incremental Funding is applied to all NRP major system acquisition contracts. This is a departure from normal standards which require full funding for obligations under the Procurement Appropriations. This procedure has been applied since the inception of the NRP.

The above departures from traditional standards are periodically reviewed and discussed within the ExCom, DOD, OMB, and the Congress.

6. Audits: Operationally, the NRP has been audited by a specifically designated detachment of the Defense Contract Audit Agency (DCAA). This group has been assigned to the NRO contractor areas and regularly reports to the program managers and the Director of the Audit Agency on the state of contract management audit activities. To supplement the

Defense audit activity, the Air Force Auditor General and the CIA Inspector General are tasked from time to time to accomplish audits of specific activities. In addition, there has been a sustained contact with the General Accounting Office (GAO) and a periodic review of specified activities. Presently, the Auditor General, the General Counsel, and the Director of the Procurement and Systems Acquisition Division of GAO are cleared on the programs. Recently, we have held an extensive discussion with the latter and have welcomed the interest of the GAO in our activities if it was felt necessary. To date there has not been a routine or special overall audit of our program by the GAO; however, the DCAA Detachment Chief maintains frequent contact with that office. From time to time we have been requested to work with the GAO to respond to specific inquiries from the Congress with relation to our procurement or acquisition activities. These requests have been completed to the satisfaction of the GAO.